

**UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA**

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
AND RESEARCH FOUNDATION,

Plaintiff,

V.

PRICEWATERHOUSECOOPERS, LLP,

Defendant.

Civil Action No. 00-684

Judge David Stewart Cercone

**EXHIBITS TO THE COMMITTEE’S BRIEF IN OPPOSITION TO
PWC’S MOTION TO EXCLUDE TESTIMONY CONCERNING CERTAIN
DAMAGES THEORIES PROFFERED BY R. BRUCE DEN UYL**

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July 11, 2005

In The Matter Of:

***AHERF v.
PRICEWATERHOUSECOOPERS, LLP***

DANIEL L. STICKLER
May 9, 2003

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STICKLER, DANIEL L.



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21 BY: KEVIN Y. TERUYA, ESQ.
22 -and-
23 JOHN FRASER, ESQ.
24 ROBERT M. D'ANGEL, ESQ.
25 Attorney for the Witness and
The Hunter Group
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ALSO PRESENT:

HEATHER ZAMORA-HEGG, Videographer
Legalink Action Video

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1
2 THE VIDEOGRAPHER: This is the video
3 operator speaking, Heather Zamora-Hegg, of Action
4 Legal Video, 420 Lexington Avenue, New York, New
5 York. Today is May 9, 2003, and the time is 9:07
6 a.m. We are at the offices of Cravath, Swaine &
7 Moore, LLP, Worldwide Plaza, 825 Eighth Avenue,
8 to take the videotaped deposition of Dan Stickler
9 in the matter of AHERF versus
10 Pricewaterhousecoopers, LLP, Civil Action No.
11 00-684, in the United States District Court for
12 the Western District of Pennsylvania.
13 Will counsel please introduce
14 themselves.
15 MR. TERUYA: Kevin Teruya, from
16 Cravath, Swaine & Moore, LLP, for
17 Pricewaterhousecoopers, and with me as well is
18 John Fraser.
19 MR. WITTEN: I'm Jesse Witten with
20 Jones Day, representing the Official Committee of
21 Unsecured Creditors of Allegheny Health,
22 Education and Research Foundation.
23 MR. WIERS: I'm Adam Wiers, also with
24 Jones Day, representing Creditors Committee as
25 well.

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1
2 MR. D'ANGEL: I'm John D'Angel,
3 representing Dan Stickler and The Hunter Group.
4 THE VIDEOGRAPHER: Today the court
5 report is Jack Finz.
6 Would the court reporter please swear
7 the witness.
8 DANIEL STICKLER,
9 having been first duly sworn by the Notary Public
10 (Jack Finz), was examined and testified as
11 follows:
12 EXAMINATION BY MR. TERUYA:
13 Q. Good morning, Mr. Stickler.
14 A. Good morning.
15 Q. Before we start out with substantive
16 questions, I just wanted to go over a few basic
17 preliminary questions, and let me start off by
18 asking you, are you represented by counsel this
19 morning?
20 A. Yes, Bob D'Angel.
21 Q. And that's Mr. D'Angel who is seated
22 at this table?
23 A. Yes.
24 Q. Are you familiar with how a
25 deposition works?

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1 DANIEL STICKLER
2 A. Yes.
3 Q. Let me just say that, as usual, if at
4 any time you have any questions, feel free to
5 chime in and ask me. If you need to take a
6 break, let me know that as well. And if you
7 could please wait until I finished asking my
8 question before answering, that will help the
9 court reporter a lot, and the record. And also
10 if you could answer audibly rather than with
11 gestures or otherwise, we would appreciate that.
12 Do you have any questions before we
13 start out?
14 A. No.
15 Q. Could you tell me what your full name
16 is for the record?
17 A. Daniel Lee Stickler.
18 Q. And could you please tell me your
19 residential address?
20 A. 5803 Fairwood Circle, Sarasota,
21 Florida 34243.
22 Q. And would you also tell me your work
23 address?
24 A. They recently moved the office of The
25 Hunter Group. It's on the card that I

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1 DANIEL STICKLER
2 distributed. I don't have it from memory. If
3 you want me to read it for you, I can.
4 Q. Sure.
5 A. 101 East Kennedy Boulevard, Suite
6 2200, Tampa, Florida 33602.
7 Q. Thank you.
8 Could you please tell me your
9 educational background, starting with college?
10 A. I have a bachelor's degree in civil
11 engineering from West Virginia University, a
12 master's degree in public health and health care
13 management from the University of Pittsburgh.
14 Q. Could you tell me what year,
15 approximately, you got your bachelor's degree in?
16 A. 1960.
17 Q. And could you tell me what year you
18 got your master's in?
19 A. 1970.
20 Q. Just to clarify, you have no formal
21 accounting training of any kind, do you?
22 A. None.
23 Q. And you are not a CPA?
24 A. No.
25 Q. And you don't have any other formal

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1 DANIEL STICKLER
2 kinds of training, other than those you have
3 already mentioned?
4 A. At one point I took some courses in
5 the administration of higher education at the
6 University of Pittsburgh, toward a doctorate
7 degree, but I did not complete it.
8 Q. And you said that was in -- or your
9 studies were directed toward administration of
10 higher education?
11 A. Yes.
12 Q. Are you talking about running a
13 university or --
14 A. Yes.
15 MR. TERUYA: I would like to mark as
16 Exhibit 1550 a document bearing Bates numbers
17 HUNT 4821 through 4857, and on the front there is
18 a cover sheet that says "AHERF-Proposal."
19 (Deposition Exhibit 1550
20 for identification, document bearing Bates
21 numbers HUNT 4821 through HUNT 4857.)
22 Q. I will give you a second to read it.
23 Just let me know when you have had a chance to
24 look through the document.
25 Do you recognize this document?

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1 DANIEL STICKLER
2 A. No, I don't.
3 Q. If you turn to the second page, do
4 you see that at the top it says The Hunter Group,
5 and there's a list of bullet points underneath
6 it?
7 A. Yes.
8 Q. Is this of the type of document that
9 The Hunter Group might prepare for a potential
10 engagement?
11 A. It may be one that would be prepared
12 that would be of a generic nature, but generally
13 the engagement letter would be much more
14 specific.
15 Q. Does this appear to be the kind of
16 marketing materials that The Hunter Group
17 prepares?
18 A. I'm not sure I've ever seen something
19 exactly like this before.
20 Q. Do you know who -- at The Hunter
21 Group, did you have responsibility over preparing
22 marketing literature?
23 A. No.
24 Q. Do you know who did, during the
25 period around the AHERF engagement?

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1 DANIEL STICKLER
2 A. I don't recall, no.
3 Q. Why don't we just turn for the moment
4 to the page with HUNT 4841 in the bottom right
5 corner. Do you see that on that page there
6 appears to be a description of your resume,
7 essentially, in prose? Do you see that?
8 A. Yes.
9 Q. Does this appear to be an accurate
10 description of your resume, at least at the time
11 before the AHERF engagement?
12 A. It appears to be, with a brief review
13 of it, yes.
14 Q. I just want to direct your attention
15 to the entry that says "Prior to joining The
16 Hunter Group, other major consulting assignments
17 included recommending a new management reporting
18 system and providing consultation services for
19 the patient-focused care initiative, Hahnemann
20 University Hospital, Pennsylvania."
21 Do you see that?
22 A. Yes.
23 Q. Could you please tell me what you did
24 for that consulting assignment?
25 A. I was in practice in the name of DLS

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A. Well, as of this January, when I scaled back another step, I indicated, I hate to say an unwillingness, but no longer a -- a desire to no longer go into the field as an engagement director for long-term engagements. And so I have done a little bit of oversight work on some engagements since then, but that's the major change.

Q. And that's since January of this year, approximately?

A. Yes.

Q. And other than that, have any other changes occurred in your responsibilities at The Hunter Group since the AHERF engagement?

A. Only as the clients changed.

Q. Since the acquisition -- let me take a step back. I saw from your business card that it appears that The Hunter Group was acquired by Navigant; is that correct?

A. Yes.

Q. Do you recall approximately when that was, the acquisition?

A. Sometime --

Q. Last year?

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don't think so.

Q. So there are no other -- just to clarify my question, since I misspoke, there were no former AHERF employees who worked for The Hunter Group at the time that you --

A. Not that I can recall, no.

Q. Other than the work we have talked about that you did at DLS Associates and at The Hunter Group, did you do any other work for AHERF at any time?

A. No.

Q. And you said you were CEO of Presbyterian Hospital in Pittsburgh; is that correct?

A. Yes.

Q. Do you know what years that was from?

A. It was approximately 1976 to 1986. I was with the hospital from '66 to '86, CEO from '76 to '86.

Q. During your time at Presbyterian University Hospital, did you ever come to know what an IDS strategy is, an integrated delivery system strategy?

A. Oh, yes. Yes.

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DANIEL STICKLER

A. A year ago or so, I think. I don't have a good handle on that. I was not an owner, and I was not one of the groups involved because I was by then scaling back myself.

Q. Are you saying you had no involvement in the acquisition?

A. No.

Q. Do you know of the reasons for the acquisition?

A. No.

Q. Has the acquisition in any way changed, as far as you can tell, the way The Hunter Group operates?

A. No. I couldn't judge that. Somebody else would have to judge that.

Q. Did anyone who worked for The Hunter Group come to work for AHERF at any time before its bankruptcy, other than through an engagement of The Hunter Group?

A. I'm relatively certain not.

Q. Were there any former AHERF employees who were employed by The Hunter Group, other than yourself -- I'm sorry, not even you.

A. I was never an AHERF employee. I

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DANIEL STICKLER

Q. Could you tell me your understanding of what it is?

A. Bring together the components of health care delivery, inpatient and outpatient, and physician, and insurance, and all the components together in one system.

Q. Would that include acquiring other hospitals that are in the same market as the certain hospital?

MR. WITTEN: Objection.

A. It would depend on how somebody would implement the strategy.

THE WITNESS: I'm sorry. Am I supposed to answer when somebody objects?

MR. D'ANGEL: Yes. He is just noting it for the record. If they don't want you to answer, one of them will make that clear.

Q. Let me take a step back then. You mentioned in your description of your understanding of an integrated delivery system strategy bringing together the components of a health care system. Could you tell me what some of the potential components are for a health care system?

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DANIEL STICKLER

A. I think I just did. You know, medical center hospitals, community hospitals, physician practices, outpatient, activities, in some cases insurance companies was brought into it. It was implemented to different degrees by different systems during that era.

Q. Would engaging in risk contracts be one potential component of creating a health care system, as you have described it?

A. It might be, but it might not, depending on how they chose to implement it.

Q. Did you ever have occasion while you were at Presbyterian University Hospital to pursue an integrated delivery system strategy?

A. I pursued a relationship with a number of community hospitals, whereby we had board representation from their board on our board, but it was not one of ownership or control. And at the same time there were five hospitals that were associated with the University of Pittsburgh Medical School that were all independent hospitals, but we did a number of things together, like laboratory, radiology, laundry, and things like that.

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DANIEL STICKLER

Q. Were you CEO of any other hospitals over time, other than Presbyterian University Hospital?

A. Cedars Medical Center, Miami, Florida.

Q. When you were at Cedars Medical Center, did you have occasion there to pursue an IDS strategy?

A. No. We were doing a turnaround and survival mode.

Q. Were you also at a point in time a faculty member at the Graduate School of Public Health --

A. Yes.

Q. -- for the University of Pittsburgh?

A. Yes. Not full-time faculty.

Q. Do you recall approximately when?

A. But I had course responsibility.

I would say probably the early 1970s through to my departure from Pittsburgh in 1986. I had responsibility for one course each year, the Capstone course for the master's degree students.

Q. Which course was that?

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A. It was called a Capstone course. It was a case study course designed to bring together the other elements of the education.

Q. While you were at the University of Pittsburgh, do you ever recall having any discussions relating to Allegheny General Hospital with any of the management of the University of Pittsburgh?

A. They were our primary competitor in that area. So I assumed there were discussions on a somewhat regular basis as we worked on our competitive strategies.

Q. Were you part of those conversations regarding the competitive strategy of the University of Pittsburgh?

A. At that point in time, the hospital was independent of the university. It's part of the University of Pittsburgh Medical Center today, but at that point in time it was a separate corporation and independent. But we had our competitive strategy discussions, yes.

Q. So the university had competitive strategy discussions relating to AGH?

A. Our hospital did. They were our

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primary competitor in that market.

Q. So were you working at the University of Pittsburgh Medical Center at that time?

A. The University of Pittsburgh Medical Center didn't exist in the form that it exists today. That's the point I was trying to make. There were four or five -- four independent hospitals that worked with the university medical school but were not part of the university and not part of the central corporate structure at that point in time.

Q. When you said that AGH was your primary competitor, or your hospital's primary competitor, which hospital are you referring to there?

A. Presbyterian University Hospital.

Q. I was confused for a second there.

So while you were at Presbyterian you had discussions relating to competitive strategy with AHERF?

MR. WITTEN: Objection.

A. Anybody we competed with.

Q. Do you recall the substance of any of those conversations?

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1 DANIEL STICKLER
 2 this report if --
 3 A. They would have been in the report,
 4 whatever recommendations I had, yes.
 5 Q. Is there any particular section of
 6 this report that contains your suggestions, or
 7 are they just interspersed throughout? Feel free
 8 to, obviously, look through the report.
 9 A. The question was?
 10 Q. I was just wondering, is there a
 11 particular section of this report that contains
 12 your suggestions or are they just sort of
 13 mentioned throughout, wherever you had them?
 14 A. They appear to be mentioned wherever
 15 they occur here in the report.
 16 Q. Before leaving the report, let me
 17 just confirm, you have no recollection at all
 18 about the market conditions of the Delaware
 19 Valley region in 1994?
 20 A. No, none at all.
 21 Q. Do you have any recollection, or did
 22 you keep abreast of market conditions in the
 23 Delaware Valley region over time prior to
 24 arriving at AHERF in 1998?
 25 A. No. Had no reason to.

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1 DANIEL STICKLER
 2 Q. Do you recall, moving away from 1994,
 3 what the market conditions were like in the
 4 Delaware Valley region in 1998?
 5 A. I don't recall, no.
 6 Q. Did you perform any studies of the
 7 market conditions at the time?
 8 A. I did not personally, no.
 9 Q. Did you speak with any members of
 10 AHERF management about market conditions at the
 11 time?
 12 A. I really don't recall.
 13 Q. Do you recall how you received any
 14 information that you can recall about market
 15 conditions at the time?
 16 A. I don't recall, no.
 17 Q. Do you at least recall receiving some
 18 information about the market conditions at the
 19 time?
 20 A. I don't recall, no.
 21 Q. In your practice of doing work in
 22 consulting engagements, like the one you
 23 performed for AHERF, or The Hunter Group
 24 performed for AHERF, is it your normal practice
 25 to study the market conditions?

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1 DANIEL STICKLER
 2 A. This was a very untypical engagement
 3 in that we came in to perform a performance
 4 improvement program, develop a performance
 5 improvement program, and that normally, in an
 6 institution of that magnitude, would have taken
 7 14 to 16 weeks. Very soon after we got there it
 8 became apparent that there was not enough cash to
 9 sustain the organization through the development
 10 of a turnaround plan and the implementation of a
 11 turnaround plan, and so our focus changed
 12 completely at that point in time.
 13 Q. Did you have a chance during that
 14 time to, if you recall, speak with management
 15 about what management was doing at the time to
 16 deal with market conditions?
 17 A. I don't recall. My memory of that
 18 entire event is not very strong at this point,
 19 this many years later, as you're seeing, I guess,
 20 from my answers.
 21 Q. Do you recall that in 1997 -- let me
 22 take a step back. Do you recall where you were
 23 in 1997, what engagement you might have been
 24 working on in calendar year 1997 for The Hunter
 25 Group?

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1 DANIEL STICKLER
 2 A. No. What year did you say this
 3 engagement started?
 4 Q. Put differently, do you recall what
 5 engagement you might have been working on one
 6 year before the AHERF bankruptcy, or before the
 7 AHERF bankruptcy?
 8 A. I don't recall specifically, no.
 9 Q. Do you recall that at some point in
 10 time the Balanced Budget Act of 1997 was enacted?
 11 A. I recall it was enacted, yes.
 12 Q. And do you recall which hospital
 13 system you were working for, what you were
 14 working on at the time it was enacted?
 15 A. Not the specific time it was enacted.
 16 Q. Do you recall having any discussions
 17 at The Hunter Group about the Balanced Budget Act
 18 of 1997?
 19 A. I assume we did, but I don't recall
 20 them.
 21 Q. Do you recall any discussions at The
 22 Hunter Group about -- or what was your view of
 23 the Balanced Budget Act of 1997, from the
 24 perspective of someone who manages hospitals?
 25 A. It was going to increase the

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1 DANIEL STICKLER

2 early on our emphasis was changed from a
3 turnaround to survival through this bankruptcy
4 process, which was much more short-term.

5 Q. Did you perform any analysis of what
6 steps management had been taking over time in the
7 Delaware Valley region?

8 A. No, I did not. We made a conscious
9 decision that our job at that point in time was
10 looking forward, to deal with whatever we had to
11 deal with in the time period we were in, that if
12 somebody wanted to investigate or review the
13 past, that was a different job, and whoever was
14 responsible for it could do it.

15 Q. Would looking at any documents about
16 the conditions in the Philadelphia region help to
17 refresh your memory or would I essentially just
18 be putting documents in front of you that
19 would --

20 A. You would be wasting your time, I
21 think.

22 Q. Is there anything you could think of,
23 perhaps documents The Hunter Group generated,
24 that I could show you that would help to jog your
25 memory about market conditions in Philadelphia?

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1 DANIEL STICKLER

2 A. Not that I can think of, no.

3 Q. You don't recall ever preparing any
4 reports, or anything like that, that described
5 the market conditions?

6 A. I didn't prepare any, and I don't
7 believe our firm did prepare one during that time
8 period.

9 Q. When you arrived at AHERF in 1998, do
10 you recall which hospital CEOs you might have had
11 any interactions with?

12 A. All of them that were in place at the
13 time. I was in a management role and all of them
14 that were in place at the time had direct
15 reporting relationships to me. That would have
16 been Meg McGoldrick, Gebar. Gee, I don't
17 remember the guy's name over at Graduate.

18 Q. Is that Robert Matthews?

19 A. Yes. And I don't remember the names
20 at the other smaller hospitals, either.

21 Q. Do you recall that Galvin Bland was
22 working at St. Christopher's Hospital for
23 Children?

24 A. I recall him having been there while
25 I was there, and I think he was there at the time

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1 DANIEL STICKLER

2 I came. I'm pretty certain he was.

3 Q. Did you have any interactions with
4 the provost or dean of the university that AHERF
5 owned?

6 A. Yes, both of them.

7 Q. Do you recall the names of those
8 individuals?

9 A. I don't recall the name of the
10 provost. I recall the name of the dean was
11 Barbara Atkinson.

12 Q. Do you recall that the provost was
13 Leonard Ross?

14 A. I think you're right. Well, wait a
15 minute. Wait a minute. I'm not certain whether
16 that's a name of the person that was there at the
17 time we came in or the name of the person that
18 was brought in after we left. So I'm not certain
19 which one of those it was, to be honest.

20 Q. Do you recall the names of any of the
21 other members of AHERF management that you might
22 have dealt with at the time you arrived in 1998?

23 A. I dealt with all the department
24 chairmen of the school. I don't recall the names
25 of the individuals. I'm sorry, I don't recall

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1 DANIEL STICKLER

2 their names now.

3 Q. By the time you arrived at AHERF in
4 1998, was Sherif Abdelhak no longer employed
5 there?

6 A. Yes, he was gone.

7 Q. And was David McConnell already gone?

8 A. David was still there.

9 Q. And Nancy Wynstra was still there?

10 A. Was still there.

11 Q. Did you have chances to interact with
12 the two of them?

13 A. Limited chances to, yes. Not too
14 long after I was there the legal services for the
15 eastern operation was separated from the
16 corporate legal services, and they began
17 reporting to me instead of to Nancy. Not too
18 long after we got there, Dave McConnell
19 departed. And I don't remember much discussion
20 with him at all.

21 Q. You said the eastern region legal
22 department was reporting to you after you got
23 there, after some time?

24 A. Not too long after I got there, yes.
25 Because we were in the process of paring it down.

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1 DANIEL STICKLER
 2 Q. Paring down the legal department?
 3 A. Yes, as we were with all the expenses
 4 we could pare down.
 5 Q. Do you recall that outside law firms
 6 were brought in to assist AHERF with its legal
 7 services at the time?
 8 A. I recall that they were using some
 9 external legal counsel in addition to the paid
 10 staff, yes.
 11 Q. Do the names of either Kirkpatrick &
 12 Lockhart or Hahn Losier ring any bells as the
 13 names of those firms?
 14 A. My recollection is that Hahn Losier,
 15 if I'm not mistaken, was the bankruptcy counsel
 16 that was brought in by corporate AHERF, and
 17 Kirkpatrick & Lockhart I think was legal counsel
 18 to corporate in Pittsburgh.
 19 Q. Does the name of the law firm Foley &
 20 Lardner ring any bells as well?
 21 A. Yes.
 22 Q. Do you recall what their role was?
 23 A. They were assisting the eastern
 24 operations relative to the -- there was in
 25 process at the time, if I recall correctly, an

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1 DANIEL STICKLER
 2 attempt to sell part of the hospitals in the
 3 eastern operation, and they were assisting with
 4 that transaction that was being dealt with by
 5 investment bankers. And they had assisted with
 6 some other work during that process, internal
 7 corporate work, I would say, as opposed to
 8 bankruptcy work.
 9 Q. Was the sale that you are referring
 10 to the sale of the Philadelphia region hospitals
 11 to Vanguard at the time that you arrived?
 12 A. There was a -- discussions were going
 13 on about selling some portion of the Philadelphia
 14 region hospitals to Vanguard at the time, yes.
 15 It wasn't all the eastern hospitals, I don't
 16 believe.
 17 Q. At the time you arrived, did you have
 18 the sense that the hospital CEOs who you
 19 interacted with were doing the best that they
 20 could under the circumstances?
 21 A. I don't know that I was in a position
 22 to make that call that quick. You know, we
 23 thought we could put together a turnaround plan
 24 that would help to improve the financial
 25 situation if we had enough time to do it. There

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1 DANIEL STICKLER
 2 wasn't enough time to do it. We didn't get into
 3 it very deeply.
 4 Q. So you didn't have enough time to put
 5 together a turnaround plan?
 6 A. There wasn't enough money to operate
 7 with to do it.
 8 Q. So you never, in fact, put together
 9 even a plan?
 10 A. We put together a 30,000-foot level
 11 estimate of what we thought we could do and how
 12 long it would take to do it and how much money we
 13 would need to operate in order to survive long
 14 enough to do that. We did put that together.
 15 Q. But you never got a chance to test
 16 out the plan or actually implement it?
 17 MR. WITTEN: Objection.
 18 A. Never got any money from anybody to
 19 carry through to do it.
 20 Q. So you can't say as you sit here
 21 today whether the plan would have worked or not?
 22 A. We thought it would or we wouldn't
 23 have proposed it, but we don't know unless it's
 24 tested.
 25 Q. And you said your role was not to

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1 DANIEL STICKLER
 2 evaluate what management had done in the past,
 3 and the goal was just to look forward; is that
 4 right?
 5 A. That's exactly right. And we made
 6 that as a conscious decision, because we had a
 7 very heavy full-time effort to try to lead that
 8 organization through the process it was going
 9 through, and we felt -- I felt very strongly that
 10 it was not our responsibility and it would be a
 11 distraction of management to spend our time
 12 looking back trying to figure out what somebody
 13 did right or wrong. It was immaterial to us at
 14 that point.
 15 Q. Would part of putting together a
 16 turnaround plan have entailed studying the market
 17 conditions under which AHERF operated?
 18 A. It would have had we done the full
 19 plan, yes.
 20 Q. And you said you didn't get a chance
 21 to study the market conditions?
 22 A. No.
 23 MR. WITTEN: Objection.
 24 A. We did not. In my recollection, we
 25 did not.

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Q. And in your experience, does the feasibility of a turnaround plan and what steps you take in implementing a turnaround plan depend upon the market conditions in which a hospital operates, or a hospital system?

A. As I indicated, we did a 30,000-foot level look at what we thought we might be able to do because we were working under a very short time constraint, and we had to get money fast in order to stay alive. And we did not have time to do such an analysis. If we had done a full 14-week or 16-week performance improvement plan, then we would have taken a look at the market conditions and the strength of the organization and projected what we thought they could do in that market condition.

Q. But you didn't have the chance to do that under the circumstances?

A. Right. We didn't even keep our marketing person on the job.

Q. Your person who conducted market studies?

A. Yes.

Q. Do you know who that was at The

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level.

Q. And you said that this was a plan, you know, at the 30,000-foot level, without details, that you formulated in conjunction with discussions with the hospital CEOs of AHERF?

A. Yes.

Q. Was Tony Sanzo involved in any of those discussions?

A. I'm certain that -- I don't know whether he was involved in the process of putting it together, but I'm rather certain that it was reviewed and discussed with him once it was put together.

Q. And were any members of AHERF's board involved in those discussions?

A. No.

Q. Either --

A. No. Not with me, at least.

Q. Backing up for a moment, in addition to the various CEOs you have mentioned and Nancy Wynstra and David McConnell, did you have a chance to work with any AHERF board members throughout your engagement with AHERF?

A. There was one or two occasions in

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Hunter Group?

A. I don't remember who was sent to the project. As I said, we restructured the project very rapidly very soon after we were there.

Q. We will come to that, and I will show you some documents with names of people.

Do you recall what were the components of the 30,000-foot plan that you just mentioned?

A. I really don't.

Q. Is that just an internal plan that you had formulated that was thought about at The Hunter Group?

A. It was something that the members of the team that we still had there at the time, and the members of the management team that were there in Philadelphia, i.e., the dean and the provost and the hospital CEOs, put together based on, as I said, a 30,000-foot level look on our part, and then asking them what were the opportunities for cost reductions.

And I don't want to overstate the detail of that because, and I repeat, it was looking at it on very rapidly the 30,000-foot

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which I appeared at an AHERF board meeting. I don't even recall the reason why I was there. Maybe it was when they were interviewing us to hire us; I'm not certain. And then there was an eastern board that met regularly during the time that we were there, and we did interact with that group.

Q. Taking it in steps, you said you thought you might have appeared at one or more of the meetings of AHERF, the parent company's, board, located in Pittsburgh; is that correct?

A. Yes.

Q. And, in addition to that, you also thought you might have from time to time met with or interacted with members of the eastern region board?

A. Yes. There was a separate board for the eastern operation, and I did -- they met in Philadelphia, and I met with them on a number of occasions, discussed with them things that we were proposing to do, et cetera.

Q. And would that have been the meetings with the Philadelphia region board members in the context of a formal board meeting, or did you

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1 is that right, to the best of your memory?

2 A. That's my recollection, and then I
3 thought I made a mistake when I read this, but
4 now I go back to my recollection.

5 Q. And as to the package for the whole
6 set of Philadelphia region hospitals, to the best
7 of your recollection, that fell through sometime
8 around the bankruptcy, you recalled before, but
9 maybe it was after; is that right?

10 A. No. I'm thinking, now that I read
11 these minutes, that this proposal was part of the
12 package of filing for bankruptcy, and that the
13 bankruptcy counsel wanted and did receive what
14 they called a stalking horse bid, and I recollect
15 now, I think, it's very fuzzy, that that's what
16 this was. But I'm not positive.

17 Q. Could you explain what your
18 understanding is of a stalking horse bid, or is
19 that some term that's unique to AHERF, as far as
20 you are concerned?

21 A. I think it's a term that's unique to
22 the bankruptcy process. My understanding of it
23 was that it created a base for other proposals,
24 but that's about as much recollection as I have
25

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1 on that.

2 Q. When you say a base for other
3 proposals, did you mean that you had an
4 understanding that the Vanguard bid would sort of
5 be publicly known and other bidders in the
6 bankruptcy process would have to beat that bid,
7 essentially?

8 A. Whether it was publicly known, I
9 don't know. I don't recall.

10 Q. But you recall that was the deal on
11 the table --

12 A. I recall at some point in time there
13 was discussion about a stalking horse bid, and
14 Vanguard did put in a bid that was considered the
15 stalking horse bid. That's about as much as I
16 recall about it.

17 Q. And in terms of the general
18 recollection you have of a meeting where there
19 was video conferencing between Allegheny General
20 Hospital on the west and I assume Hahnemann
21 University on the east, do you have any
22 recollection of what that meeting was about?

23 A. Only what I recall -- you know, what
24 these minutes tell me.
25

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1 Q. I mean, does looking at these minutes
2 refresh your memory at all, or are you able to
3 see what's on them?

4 A. It makes me think that this must have
5 been it, but I don't know whether I would testify
6 that this was it based on that.

7 Q. You don't have any recollection of
8 your own at this point?

9 A. No.

10 MR. TERUYA: I would like to mark as
11 Exhibit 1554 a document with Bates numbers HUNT
12 4502 through 4505, dated June 16, 1998. It seems
13 to be an engagement letter between The Hunter
14 Group and AHERF dated June 16, 1998.

15 (Deposition Exhibit 1554
16 for identification, document Bates stamped HUNT
17 4502 through HUNT 4505.)

18 A. Okay.

19 Q. Do you recognize this document?

20 A. I see it and read it. I'm sure I saw
21 it before, but I don't recall.

22 Q. Does this appear to you to be the
23 engagement letter between The Hunter Group and
24 AHERF?
25

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1 A. It appears to be the engagement
2 letter between The Hunter Group and AHERF
3 relative to the interim management services. I
4 think I stated to you earlier that there was
5 performance improvement planning responsibility.
6 I had thought that was all in one engagement
7 letter. There must have been separate engagement
8 letters, is all I can conclude, because I don't
9 see it mentioned here.

10 Q. I will just mention, I have a series
11 of engagement letters, and I was just trying to
12 understand the differences between them. So I am
13 taking out new ones, and if you are wondering
14 what I am doing.

15 So does this appear to be the initial
16 engagement letter between AHERF and The Hunter
17 Group?

18 A. It appears to be, yes.

19 Q. Do you see the signature on page 4 of
20 the document of Larry Scanlan?

21 A. Yes.

22 Q. Was he the president of The Hunter
23 Group at the time?
24

25 A. Yes.

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Q. Is he still the president of The Hunter Group, to the extent there is one, at present?

A. I don't know what his exact title is now.

MR. D'ANGEL: He's a managing director at Navigant. He's a Navigant employee now.

Q. Back at the time in 1998, did Larry Scanlan have any kinds of involvement in the AHERF engagement, other than signing off the engagement letter, to your knowledge?

A. Not to my knowledge. He may have had in relationship to David Hunter, but I don't recall in relationship with me.

Q. And do you recognize this to be his handwriting on page 4?

A. No.

Q. You don't know?

A. No.

Q. But you don't have any reason to believe that this is not the engagement letter?

A. No.

Q. And at this point in time, is it

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A. Yes.

Q. Was that on a different engagement?

A. No, I was visiting my in-laws.

Q. At that time you were still residing down in Florida?

A. Yes.

Q. Did you have to move up to Pennsylvania for the AHERF engagements?

A. No. I got a corporate apartment there in town, and used that, and went home on weekends when I could.

Q. Were most of the members of the engagement team from The Hunter Group who worked at AHERF residents of Pennsylvania?

A. I couldn't even --

Q. Or put differently, were there a lot of people who were in the same boat as you, coming from Florida to Pennsylvania, or were there lots of people who were from Pennsylvania?

A. Our people are scattered to live all over the country, and live wherever they want to, and fly to work Monday morning. And one guy on the engagement was from New Jersey, and he drove in. I think he drove in every day most of the

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correct that this was an engagement letter just for services by you and David Hunter in terms of providing interim management services?

A. That's what I see here, yes.

Q. And at the time do you know why or what was the objective in terms of obtaining interim management services from The Hunter Group, if you know?

A. If I'm not mistaken, this was within days after the departure of Sherif and Donald Kaye, the eastern regional executive, and they were trying to plug a hole, I think.

Q. Do you remember who contacted whom? Did AHERF contact The Hunter Group, or vice versa?

A. I don't know. I was riding down the Coroner Turnpike in Ohio with my wife when I got a call on my cell phone that said can you be in Philadelphia Monday morning.

Q. That was on a Friday, you said, they gave you a call, and said be at work on Monday?

A. Friday or Saturday.

Q. And you were in Ohio, you said, at the time?

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time, and drove back. There was another guy that I think his residence was in Philadelphia, in the Philadelphia area, who drove in and back.

I'm trying to think who else was there. I don't even remember. Honan's residence was in Florida at the time, I think.

Q. Were there any individuals other than yourself who had had management experience in Pennsylvania in terms of running hospitals, who were on the engagement team?

A. Well, David Hunter, of course. Alan Dzija was on the engagement team and had had experience in the Philadelphia area. I don't remember whether he had -- he worked for one of the consulting firms. I don't know whether he had direct hospital experience or not. I don't recall others.

Q. Was David Hunter actually on the engagement team, or did he just arrange for the engagement to occur and then left it to you?

A. He spent some time there. I couldn't tell you exactly how much. But he spent some time there, and he also spent some time on the phone with me relative to it. But my

In The Matter Of:

***AHERF v.
PRICEWATERHOUSECOOPERS, L.L.P.***

***DANIEL L. STICKLER
May 28, 2003***

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25 The Hunter Group
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18 ALSO PRESENT:
19 DAVID PELOZA, Videographer
20 Legalink Action Video
21
22
23
24
25

1 DANIEL L. STICKLER
2 to what your role was?
3 A. That was the role with AHERF, and
4 with The Hunter Group my role was engagement
5 director for the team that was there.
6 Q. And so did all members of the team
7 report to you?
8 A. Yes.
9 Q. And would you regularly meet with all
10 the members of the team to get a status update?
11 A. Yes.
12 Q. And would the members of the team
13 submit written reports to you as well?
14 A. Not usually.
15 Q. They would just orally convey to you
16 what was going on?
17 A. Or comment on the written reports of
18 the organization.
19 Q. That the organization provided?
20 A. Yes.
21 Q. And did you have responsibility to
22 approve any proposed actions that The Hunter
23 Group was going to take with respect to the
24 engagement for AHERF?
25 A. You need to be a little more

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1 DANIEL L. STICKLER
2 THE VIDEOGRAPHER: Today's date is
3 May 28, 2003. The time is 9:05. This is the
4 continuation of the deposition of Mr. Stickler.
5 It's Tape No. 4. We are on the record.
6 CONTINUED EXAMINATION
7 BY MR. TERUYA:
8 Q. Good morning.
9 A. Good morning.
10 Q. I just wanted to follow up with a few
11 items left over from last time. And let me start
12 out by taking a step back and just asking you
13 what your precise role was with respect to the
14 engagement of The Hunter Group by AHERF.
15 A. I was the interim chief operating
16 officer for the eastern operations, reporting to
17 the interim CEO of AHERF overall, which meant I
18 had operational responsibilities for the medical
19 school and the nine hospitals in the east, and
20 the other two schools.
21 (Off the record.)
22 THE VIDEOGRAPHER: We are back on the
23 record. And it's 9:08, Tape 4.
24 Q. Sorry about the interruption. And
25 were you complete or finished with your answer as

1 DANIEL L. STICKLER
2 specific. I'm not sure I understand you.
3 Q. For example, if The Hunter Group was
4 going to recommend to AHERF that a certain
5 contract be submitted to the bankruptcy counsel
6 for rejection in the bankruptcy process, would
7 that have been something you were responsible for
8 approving before it was actually told to AHERF?
9 A. Not necessarily on individual
10 contracts, because I might receive a list of, for
11 example, physician contracts, and the people
12 would be telling me that this was the criteria by
13 which we developed this list, and I would approve
14 it, yes.
15 Q. So in terms of any actions that The
16 Hunter Group was recommending that AHERF take
17 after the bankruptcy, would those recommendations
18 have to be approved by you before they were
19 conveyed to the client, AHERF?
20 A. I suspect probably so. I don't
21 remember specifically. But David Hunter was the
22 oversight person on that engagement and was
23 involved there somewhat. Some things went up to
24 him for approval, some did not.
25 Q. In terms of day-to-day

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transplantation.

Q. But as you sit here today, you can't recall what the dollar amount of annual savings achieved were?

A. I don't recall the specific dollar amount. I know that it was very significant.

Q. Do you recall -- when you say very significant, are you talking along -- do you have any sense of what range of dollar amounts you are talking about?

A. The subsidy of that research, my recollection, was approaching a million dollars a year, and so I assume the savings eventually was of that magnitude. There was a transition, of course.

Q. But you said that you thought that that project had some value, you said?

A. I felt it had value to society as a research project, and I felt that if an organization could afford it, it may have been something that I could have recommended keeping. But given the financial condition of the organization, I felt that priorities had to be established, and we couldn't afford to continue

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further questions on direct.

If you want to start.

MR. WITTEN: Thank you.

EXAMINATION BY MR. WITTEN:

Q. Good morning, Mr. Stickler.

A. Good morning.

Q. Let me reintroduce myself. I am Jesse Witten, and I represent the Official Committee of Unsecured Creditors of AHERF.

You testified last time that you were the chief executive officer of Presbyterian University Hospital in Pittsburgh.

A. Yes.

Q. Do you remember the years that you were the CEO of that hospital?

A. The years, but not the months, 1976 through 1986.

Q. How large is that hospital, as measured by the average daily number of inpatients?

MR. D'ANGEL: Then or now?

Q. While you were the CEO of the hospital.

A. If I recall correctly, it was about

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to support it.

Q. Was there a contract that was between AHERF and this particular researcher that you are mentioning?

A. If I recall correctly, there was.

Q. And was that a contract that was submitted to bankruptcy counsel for --

A. No, because we dealt with it outside. As I indicated, she was rather angry at first, but I think began to understand that it was a move designed to protect her research project and give her a chance to find a new home for it, and she did.

Q. Was her contract a contract that AHERF could not have just walked away from, to your understanding, prior to bankruptcy?

A. I'm not a lawyer, and I couldn't express an opinion on that.

Q. When you said there was a contract with this person, was it some kind of a research contract?

A. I've gone as far as my memory is going to carry me.

MR. TERUYA: Well, I don't have any

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580 patients, average daily census at that -- at the point at the end of that time period.

Q. And that hospital while you were the CEO was affiliated with the University of Pittsburgh?

A. Yes.

Q. That hospital was used to train the residents and interns of the University of Pittsburgh?

A. One of the hospitals. The primary adult medical-surgical hospital used to train interns and residents there.

Q. Measured by the number of inpatients, when you were the CEO of that hospital, was there a larger hospital in Pittsburgh than Presbyterian University?

A. I don't think so. The other large hospitals at the time were Allegheny General, West Penn, Mercy, but I don't think any of them were quite as large.

Q. When you left Presbyterian, you went to a hospital in Florida; is that right?

A. Yes, sir.

Q. And what was the name of that

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1 DANIEL L. STICKLER
 2 hospital?
 3 A. Cedars Medical Center.
 4 Q. Located in?
 5 A. Miami, Florida.
 6 Q. And what was the size of that
 7 hospital?
 8 A. I don't remember the exact size. It
 9 was -- I think the average census was someplace
 10 around -- I think it was someplace in the four
 11 hundreds at the time that I left.
 12 Q. And did you have the position of
 13 chief executive officer of that hospital?
 14 A. Yes, sir.
 15 Q. And can you remember the years that
 16 you were the CEO of Cedars Medical Center?
 17 A. 1986 through 1991.
 18 Q. So you said the average daily census
 19 was in the four hundreds when you left.
 20 A. Yes.
 21 Q. How about at the time that you
 22 arrived?
 23 A. It was probably a hundred less than
 24 that.
 25 Q. Can you describe Cedars' performance

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1 DANIEL L. STICKLER
 2 while you were there in terms of its financial
 3 performance?
 4 A. We were losing a significant amount
 5 of money when I came. We were making a small
 6 amount of money when I left. It was named by
 7 somebody -- or I was named by somebody the
 8 turnaround administrator of the year one year
 9 during that time period. I'm not sure who the
 10 national organization was. But we achieved a
 11 financial turnaround during that time period.
 12 Q. That's a nice honor, turnaround
 13 executive of the year.
 14 How did you accomplish --
 15 A. That and a quarter will get you a cup
 16 of coffee.
 17 Q. Where can you get a cup of coffee for
 18 a quarter.
 19 A. It shows you how old I am.
 20 Q. How did you cause Cedars' performance
 21 to improve while you were its chief executive
 22 officer?
 23 A. You don't turn an organization around
 24 with one or two or three things in any instance.
 25 There's always a large number of things that have

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1 DANIEL L. STICKLER
 2 to be done. And we did a great deal of work on
 3 improving the productivity and management of the
 4 organization. We converted the old hospital
 5 building into a physicians office building and
 6 attracted some additional physicians to practice
 7 there.
 8 I negotiated the first affiliation
 9 agreement with the University of Miami School of
 10 Medicine, and we got a block of about 90 census
 11 in one chunk from them, through that affiliation
 12 agreement, that helped greatly.
 13 Q. How did you improve productivity and
 14 management at Cedars?
 15 A. We got the attention of some managers
 16 that may not have been paying quite as much
 17 attention as they had previously, put
 18 productivity monitoring systems in place,
 19 reviewed all the contracts, renegotiated some of
 20 them, started developing annual performance
 21 expectations for every manager and evaluating
 22 them against those, getting rid of people that
 23 weren't contributing, and all of the things you
 24 have to do.
 25 Q. So no real magic?

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1 DANIEL L. STICKLER
 2 A. No.
 3 Q. After you left Cedars, you testified
 4 before that you went to DLS Associates -- you
 5 formed DLS Associates?
 6 A. Yes.
 7 Q. Did you take part in any substantial
 8 turnaround engagements with DLS?
 9 A. No.
 10 Q. After DLS, you testified that you
 11 moved on to --
 12 A. The Hunter Group.
 13 Q. The Hunter Group. Were you and are
 14 you now an employee of The Hunter Group?
 15 A. I was, and I was an independent
 16 contractor for some period of time. I don't
 17 remember how long, whether it was three months or
 18 six months, or something like that. And then I
 19 became an employee and was an employee up until
 20 January of this year. And I'm not exactly sure
 21 what my status is right now. I have an
 22 arrangement with them whereby I do work for them
 23 on a per diem basis, a very limited amount of
 24 work on a per diem basis, and get my health
 25 insurance covered. So, I guess, I think I'm a

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 24 work on a per diem basis, and get my health
 25 insurance covered. So, I guess, I think I'm a

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1 DANIEL L. STICKLER
 2 contract person now.
 3 Q. Have you ever had an ownership
 4 interest in The Hunter Group?
 5 A. No.
 6 Q. Aside from AHERF, were you involved
 7 in any other turnaround projects for The Hunter
 8 Group?
 9 A. Not as the interim executive, but as
 10 the engagement director for an engagement to put
 11 together what we call a performance improvement
 12 plan which is, in essence, a turnaround plan.
 13 And, yes, that's what I did most of the
 14 engagements that I was involved with with them.
 15 Q. Is there a difference in the
 16 expression turnaround plan and performance
 17 improvement plan?
 18 A. One sounds a lot better than the
 19 other.
 20 Q. What were some of the major
 21 turnaround plans that you worked on for The
 22 Hunter Group, aside from AHERF?
 23 A. I guess I can name clients, can't I?
 24 MR. D'ANGEL: It's public
 25 information.

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1 DANIEL L. STICKLER
 2 A. George Washington University Medical
 3 Center, University of Illinois-Chicago; Beth
 4 Israel Deaconess Medical Center, Boston;
 5 University of Pennsylvania, Philadelphia;
 6 Downstate Medical Center in Brooklyn. There's
 7 probably some other ones that I'm not thinking of
 8 right now.
 9 Q. Were these five that you mentioned,
 10 George Washington, University of
 11 Illinois-Chicago, Beth Israel Deaconess,
 12 University of Pennsylvania, and Downstate Medical
 13 in Brooklyn, were they ultimately successful
 14 turnaround engagements?
 15 MR. TERUYA: Objection.
 16 A. They were turnaround -- they were
 17 successful turnarounds, but in every one of those
 18 instances we developed a turnaround plan for the
 19 organization, but we didn't manage the
 20 organization during the turnaround. So we
 21 contributed to the successful turnaround. I
 22 don't think it would be fair to say that we did
 23 the turnaround.
 24 Q. So do you mean to say that you
 25 analyzed the situation for the client and

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1 DANIEL L. STICKLER
 2 recommended a course of action?
 3 A. Yes.
 4 Q. And then the client --
 5 A. With a team, a team from The Hunter
 6 Group did.
 7 Q. So when I say "you," you are
 8 correcting me because it wasn't just you, it was
 9 you and a team of others?
 10 A. That's correct.
 11 Q. And then the client was to implement
 12 The Hunter Group turnaround recommendations?
 13 A. Yes.
 14 Q. What was the nature of the
 15 recommendations that were given at the University
 16 of Pennsylvania by The Hunter Group?
 17 A. Well, there were two notebooks about
 18 that thick, which reinforces the point that you
 19 can't turn around an organization by a few
 20 individual actions. That's probably as best I
 21 can say. But there were a great number, a great,
 22 great number of recommendations. We don't put
 23 together a turnaround plan that makes you think
 24 there is a magic wand that's going to do it for
 25 you. There's a lot of things you have to do.

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1 DANIEL L. STICKLER
 2 Q. So at least for your recommendations
 3 at the University of Pennsylvania, and it sounds
 4 elsewhere, your recommendations are an aggregate
 5 of many, many distinct interventions?
 6 A. Yes. Yes.
 7 Q. The list of five that you gave us
 8 before, GW, Illinois, Beth Israel Deaconess,
 9 Pennsylvania and Downstate Medical, was it the
 10 same in each case that The Hunter Group generated
 11 a thick set of recommendations?
 12 A. Yes.
 13 Q. If you had had the time at AHERF,
 14 would you have anticipated being able to make
 15 those same set of recommendations?
 16 MR. TERUYA: Objection.
 17 A. From the 30,000-foot level, and the
 18 amount of time we had, as I testified earlier, we
 19 believed that if we had a certain amount of time,
 20 we could have accomplished a turnaround, yes.
 21 And money to carry us through that time.
 22 Q. Tell me about The Hunter Group. Is
 23 it a well-known company in the hospital field?
 24 A. Yes.
 25 Q. And how did it become well-known?

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A. Well, I think because it probably has done more successful work in helping organizations turn around their performance than any other firm, I believe. At least I believe that.

Q. Is that one of the reasons you were wanting to join The Hunter Group?

A. I joined The Hunter Group because I knew David Hunter from graduate school, and he suggested it, and it sounded like a good idea. As I indicated previously, I didn't like the marketing piece, and et cetera.

Q. Is David Hunter personally prominent in the hospital field?

A. Very much so.

Q. And how did he become prominent?

A. I think he's built a career of success from a hospital CEO of a hospital in New Jersey to one time served as president of the Voluntary Hospitals of America, if I'm not mistaken. And then through this firm, and speaking, I think he was named as one of the 100 most -- or maybe a smaller number than that, most influential people in health care by some

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magazine in the last year.

Q. What are the handful of the most significant turnarounds that The Hunter Group accomplished, not necessarily projects that you worked on, but Hunter Group turnarounds that are known?

MR. TERUYA: Objection.

A. The University of California San Diego comes to my mind. The Hunter Group was involved in the dissolution of the Stanford University of California San Francisco merger. We weren't involved in putting it together. We were involved in taking it apart.

There are probably some other ones, a number of other ones. And a lot of smaller hospital -- you know, I worked mostly in the academic medical center area and didn't pay a lot of attention to the community hospital engagements, but there were a lot of smaller hospital engagements across the country that The Hunter Group developed a plan for the turnaround.

Q. Who in 1998 would you say was the chief competition to The Hunter Group in terms of turnaround consultants?

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A. We didn't think there was any.

No, the big accounting firms would pop up once in a while as competition. I think Cambio was in existence, or one of its predecessor lives, and they popped up once in a while as competition. There were probably some others.

Q. Is Cambio around today?

A. I think so. I'm not positive.

Q. And is Cambio a consulting firm that does turnarounds?

A. Amongst other things, they profess to do them, yes.

Q. They are competition for The Hunter Group?

A. I don't think they've taken very many jobs from The Hunter Group, to be honest with you. So competition would be people that are winning the thing.

Q. On occasion does The Hunter Group tell clients that a turnaround is not feasible?

A. There had been occasions when we've done that, yes.

Q. And why is that?

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A. Because we don't think it's feasible.

Q. That's because The Hunter Group doesn't want to promise more than it can deliver?

MR. TERUYA: Objection.

A. No, I think because we don't think it's feasible. You know, we, as I said earlier, hold a position in every one of these plans that we put together, and we emphasize to each other the fact that you don't recommend a plan that you don't think you could implement yourself. And there have been some instances in which we would put together the plan, and the gap between where the organization was that day and the financial viability was greater than what we thought we could close.

Q. Earlier today Mr. Teruya referred to recommendations that The Hunter Group would make to AHERF. You were actually, however, the interim COO of the eastern region?

A. Yes.

Q. In that capacity, you didn't have to make recommendations for things that were within the authority of a COO to do; is that right? Do